

PROPOSITION

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**EMERGENCY MEDICAL SERVICES. FUNDING.
TELEPHONE SURCHARGE. INITIATIVE
CONSTITUTIONAL AMENDMENT AND STATUTE.**

OFFICIAL TITLE AND SUMMARY

Prepared by the Attorney General

**Emergency Medical Services.
Funding. Telephone Surcharge.**

Initiative Constitutional Amendment and Statute.

- Provides funding to physicians for uncompensated emergency care, hospitals for emergency services, community clinics for uncompensated care, emergency personnel training/equipment, and emergency telephone system improvements.
- Funded by addition of 3% to existing surcharge rate on telephone use within California, portions of tobacco taxes, and criminal and traffic penalties.
- Limits surcharge collected by residential telephone service providers to 50 cents per month. Monthly cap does not apply to cell phones or business lines.
- Excludes funding from government appropriations limitations, and telephone surcharge from Proposition 98's school spending requirements.

Summary of Legislative Analyst's Estimate of Net State and Local Government

Fiscal Impact:

- Increased state revenues of about \$500 million annually from an increased surcharge on telephone bills that would be used (1) to reimburse physicians and hospitals for uncompensated emergency medical care and (2) for other specified purposes. This amount would probably grow in future years.
- Continued funding of about \$32 million annually in Proposition 99 tobacco tax funds to reimburse physicians and community clinics for uncompensated medical services.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Emergency Telephone Number Surcharge

Currently, telephone service customers in California pay a monthly surcharge that supports the state's 911 emergency telephone number system. Under current law, the surcharge rate can be set up to 0.75 percent of a customer's monthly bill for telephone services for calls made within the state. The surcharge applies to each separate telephone bill a customer may receive. The state has currently set the surcharge rate at 0.72 percent.

Revenues from the surcharge are deposited into the State Emergency Telephone Number Account (911 Account), which is available for expenditure upon appropriation by the Legislature. The revenues are used to reimburse government agencies and telephone companies for equipment and related costs associated with California's 911 emergency telephone number system. Due to an increase in the number of cellular phone

accounts, the 911 Account has maintained a reserve that has ranged from \$15 million to \$80 million in recent years. The revenue received from the surcharge in 2002–03 was \$139 million. The Department of General Services and the Board of Equalization are responsible for administering the 911 Account.

Proposition 99

The Tobacco Tax and Health Protection Act (Proposition 99, enacted by the voters in 1988) assessed a \$0.25 per pack tax on cigarette products that is allocated for specified purposes. In 2004–05, the state is projected to receive approximately \$334 million in Proposition 99 revenues. Because the number of tobacco users is declining, this funding source has and will likely continue to decrease. Currently, the state utilizes Proposition 99 funding for a number of health-related purposes, including tobacco education and prevention efforts, tobacco-related disease research,

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environmental protection and recreational resource programs, and health care services for low-income uninsured persons.

Uncompensated Emergency Medical Care

Under state and federal law, any person seeking emergency medical care must be provided that care regardless of his or her ability to pay. As a result, hospitals and physicians who provide emergency and trauma care are often not fully compensated for the care they provide. The amount spent today by physicians and hospitals on uncompensated emergency medical care is not known. Physicians and hospitals reported that, in 2000–01, their cost for this care was approximately \$540 million. However, this estimate may be low because physicians and hospitals may have underreported the cost of the care that they provided.

Some of the cost of this uncompensated care is partly paid from various state and county government sources. For example, the state currently budgets about \$32 million in Proposition 99 funds to help pay for uncompensated medical care provided by physicians and community clinics.

Also, under existing law, each county is allowed to establish a Maddy Emergency Medical Services Fund (Maddy Fund) made up of specified revenues from criminal fines and penalties. Counties may use up to 10 percent of these revenues for the cost of administering the fund. After these costs have been deducted, 58 percent of the remaining funds are to be used to reimburse physicians for uncompensated emergency and trauma care, 25 percent to reimburse hospitals for such care, and 17 percent for other emergency medical services such as regional poison control centers.

Even with these funds, hospitals and physicians generally are not compensated for all of the emergency and trauma care that they provide.

PROPOSAL

New State Revenues

This measure increases funding for the reimbursement of physicians and hospitals for uncompensated emergency medical care and other purposes. It does this by imposing an additional 3 percent emergency telephone surcharge, in addition to the existing surcharge, on bills for

telephone services for calls made within the state. Long-distance services for calls to areas outside of California would not be affected by this measure. The surcharge paid by residential customers would generally be limited to 50 cents per month for each telephone bill they receive. The surcharge would not be imposed on low-income residential customers eligible for lifeline telephone services. However, the 50 cents per month limit would not apply for cellular telephone services or for commercial telephone lines. Revenues from the increased surcharge would be deposited into a new 911 Emergency and Trauma Care Fund established by the measure. Certain state agencies specified in the measure would be able to expend the funds without appropriation by the Legislature.

Existing State and Local Funds

In addition to providing the new revenues, this measure would affect the distribution of certain existing state and local funds for uncompensated medical care.

First, the proposition requires each county to establish a Maddy Fund and transfers a portion of fund revenues to the state for the reimbursement of each county's emergency physicians. While the purpose of these funds would remain the same, this measure would generally shift the administration of the money from counties to the state. However, under this measure, a county could apply for and obtain permission from the state to administer certain accounts in its Maddy Fund.

In addition, this measure requires that the state continue to spend about \$32 million per year in Proposition 99 funds to reimburse physicians and community clinics for uncompensated medical care.

How the Funding Would Be Spent

New State Revenues. Most of the additional revenues generated by this measure would be used to reimburse physicians and hospitals for uncompensated emergency and trauma care. The remaining portion of the funding would be used to improve the state's emergency phone number system, to help train and equip "first responders" (such as firefighters and paramedics) for emergencies, and to support community clinics. Below

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ANALYSIS BY THE LEGISLATIVE ANALYST (CONT.)

is a more detailed description of the funding distribution, the purpose of those funds, and how they would be administered. (The percentage of new funds distributed for each purpose is noted in parentheses.)

- **The 911 Account** funding (0.75 percent of the new revenues) would be used to make technological and service improvements to the basic emergency telephone number system. Under the measure, the Department of General Services would distribute the funds to state or local agencies.
- **Emergency and Trauma First Responders Account** funding (3.75 percent) would be allocated to the California Firefighter Joint Apprenticeship Training Program for training and related equipment for firefighters, paramedics, and other first responders. The Office of the State Fire Marshal would administer this funding.
- **Community Clinics Urgent Care Account** funding (5 percent) would be allocated to nonprofit clinics providing urgent care services to the uninsured. The Office of Statewide Health Planning and Development would administer this funding.
- **The Emergency and Trauma Physician Uninsured Account** funding (30.5 percent) would be used to reimburse claims filed by physicians who are not employed by hospitals and who provide uncompensated emergency services to patients. The Department of Health Services (DHS) would administer these funds.
- **The Emergency and Trauma Hospital Services Account** funding (60 percent) would reimburse hospitals for the cost of uncompensated emergency and trauma care. The funding would be administered by DHS.

Existing State and Local Funds. Additionally, the measure would establish the Emergency and Trauma Physician Unpaid Claims Account and would shift 58 percent of penalty assessments now being collected by county Maddy Funds to this new state-administered account. These funds would be used to reimburse physicians for uncompensated emergency medical care.

Both the Emergency and Trauma Physician Unpaid Claims Account and the Emergency and Trauma Physician Uninsured Account would be administered by DHS, but a county could apply for and obtain permission to administer the funds allocated from these accounts within its jurisdiction. The Emergency and Trauma Physician Services Commission, consisting of ten emergency medical professionals, would be created in DHS to provide advice on all aspects of these accounts as well as to review and approve relevant forms, guidelines, regulations, and county applications to administer funds from these accounts.

FISCAL EFFECTS

New State Revenues and Expenditures. Based upon the expected number of telephone customers and accounting for the cap on residential charges, we estimate that the measure would raise about \$500 million in additional annual revenues from the increased surcharge. This amount would probably grow in future years with increases in telephone users and the number of calls made within the state. State expenditures would grow in keeping with these new revenues. Figure 1 shows how the new funds would be distributed assuming increased revenues of \$500 million annually.

FIGURE 1

PROPOSITION 67 ESTIMATED DISTRIBUTION OF NEW REVENUE FROM SURCHARGE INCREASE

(In Millions)

Account	Estimated Revenue
911 Account	\$4
Emergency and Trauma First Responders Account	19
Community Clinics Urgent Care Account	25
Emergency and Trauma Physician Uninsured Account	153
Emergency and Trauma Hospital Services Account	300
TOTAL^a	\$500

^a Total may not sum to \$500 million due to rounding.

Impact on Existing State and Local Funds. Based on the most recent data available, we estimate that this proposition would transfer about \$32 million

ANALYSIS BY THE LEGISLATIVE ANALYST (CONT.)

each year to the state from the county Maddy Funds to reimburse physicians for uncompensated emergency care.

The measure also requires that about \$32 million per year in Proposition 99 funds continue to be provided to reimburse physicians and community clinics for uncompensated medical care. While this would provide fixed ongoing revenues for these purposes, it would also mean that future funding for other programs which now rely on Proposition 99 revenues, would have to be

reduced or alternative sources of funding found as tobacco tax revenues decline.

State and Local Administrative Costs. This measure would result in increased onetime and ongoing state administrative expenditures of several million dollars. Generally, these costs would be paid by the additional revenues generated under this measure.

The measure would also result in minor administrative expenditures at the local level, that would be paid for by the revenues deposited into those accounts.